

State of California

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Legislative Change No.

08-7

Bill Number: SB 1055 Author: Machado Chapter Number: 08-282

Laws Affecting Franchise Tax Board: Section 17144.5 of the Revenue and Taxation Code

Date Filed with the Secretary of State: September 25, 2008

SUBJECT: Mortgage Forgiveness Debt Relief

Senate Bill 1055 (Machado), as enacted on September 25, 2008, made the following change to law impacting the Franchise Tax Board:

Section 17144.5 of the Revenue and Taxation Code is added.

This act allows taxpayers to exclude up to \$250,000 of cancellation-of-debt (COD) income that results from a discharge of a loan that was used to acquire, construct, or substantially improve the principal residence of the taxpayer. The maximum amount of a loan eligible to be excluded is \$800,000, and the exclusion is phased-out for discharged loans that exceed \$800,000.

This act applies to discharges occurring on or after January 1, 2007, and before January 1, 2009.

This act prohibits imposition of any interest or penalties that would otherwise result from a discharge occurring during the 2007 taxable year.

This act is effective on September 25, 2008, and operative as of January 1, 2007.

This act will not require any reports by the department to the Legislature.

Assistant Bureau Director

Patrice Gau-Johnson

Date

11/19/08